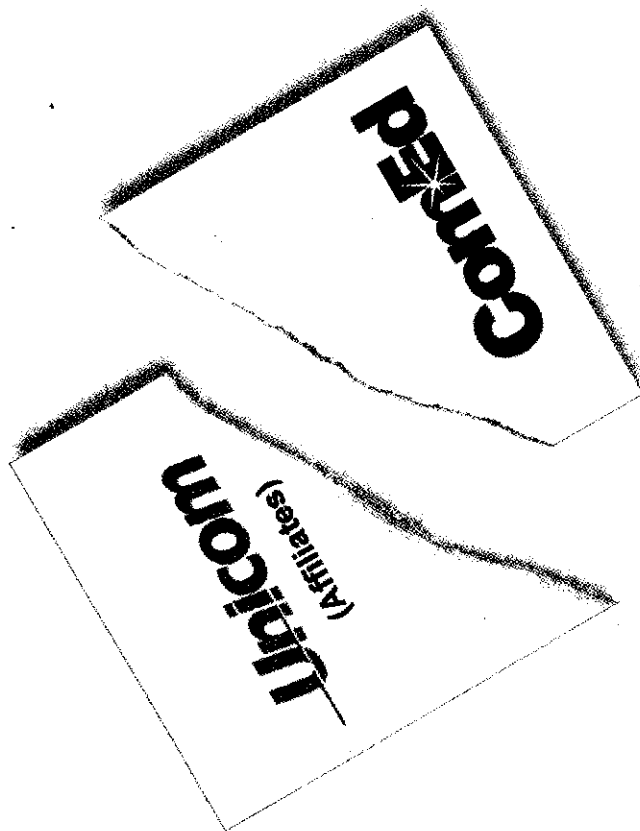


**APPENDIX G**

**Restructuring Rules Part 1**



## Restructuring Rules Part 1

## Forward

*Dear Employee,*

*The Illinois Restructuring Act is changing our company in many ways, not the least of which is a new approach to communicating between business units. In the past, we were able to share information and resources throughout the company with few restrictions. Now, certain business units will not be able to interact as freely as they once did.*

*Generally, ComEd will not be able to share its customer information and resources with our unregulated companies that compete with alternative energy suppliers. Why? Because the law considers this an "unfair competitive advantage" beneficial to us and detrimental to fair and open competition.*

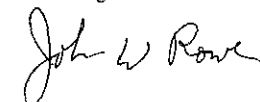
*To protect against unfair competitive advantages, the Illinois Commerce Commission (ICC) recently developed a set of Non-Discrimination Rules designed to restrict the flow of information between ComEd and its affiliates. Although the rules technically apply only to our new business unit — Unicom Energy, which is our company's unregulated electric supplier — we have chosen to apply them to all Unicom affiliates. This includes UT Holdings (Unicom Thermal) and all components of Unicom Energy Services. We believe that allowing our unregulated Unicom affiliates to jointly market with Unicom Energy, rather than with ComEd, offers a greater opportunity for future success.*

*We created this brochure to provide specific information about the Non-Discrimination Rules and how they apply to you. Please review it thoroughly and, if you have questions, consult one of the resources listed at the back.*

*In May 1999, the ICC will propose additional rules, called Standards of Conduct, to regulate the interaction between our transmission and distribution (T&D) organization and the ComEd Retail organization — with the purpose of ensuring fairness. At that time, we will provide additional information and training for you.*

*Because Unicom and ComEd are committed to making restructuring work in Illinois, your compliance with these new rules is an absolute necessity. Thank you, in advance, for your cooperation.*

*Best regards,*



*John W. Rowe  
Chairman and Chief Executive Officer*

## In This Brochure

Overview .....	1
What the Rules Mean to You .....	3
Non-Discrimination Rules: At a Glance .....	4
Standards of Conduct: The Next Set of Rules .....	8
Important Dates .....	9
What the New Terms Mean .....	10
Non-Discrimination Rules: Questions and Answers .....	12

## Overview

### *The Restructuring Act*

In December of 1997, Illinois passed a new Restructuring Act, establishing the basic roadmap for competition in the electric utility industry in Illinois. To promote open competition, the Act allows anyone certified by the Illinois Commerce Commission (ICC) to sell commodity or *unbundled\** electricity to retail customers at market rates. ComEd remains the owner of the wires (the delivery system) and must allow competitive suppliers access to this system in a fair and equitable manner. At the same time, ComEd will continue to provide regulated, fully bundled electric service. A new Unicom affiliate, Unicom Energy, has recently been formed to sell commodity or unbundled electricity to retail customers.

### *The Rules*

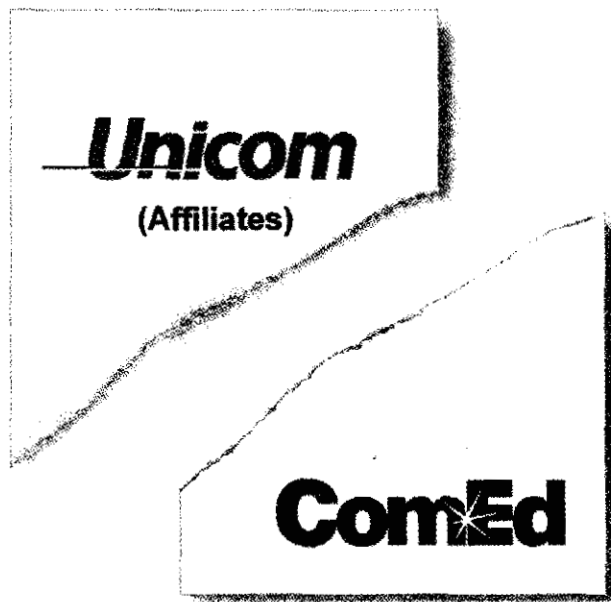
The Act directed the Illinois Commerce Commission (ICC) to develop rules, called the *Non-Discrimination Rules*, to ensure that the utility affiliate, Unicom Energy, would not have an unfair advantage in the competitive arena. The rules became effective November 5, 1998.

The Act also directs the ICC to develop *Standards of Conduct* which will be proposed in May 1999. These standards will affect the relationship between the ComEd Retail function (mostly Customer Operations) and the Delivery Services function (T&D organization). These standards are also intended to ensure fairness.

*\*Unbundled - Unbundling is a part of the process of restructuring that attempts to identify components of electric service that may be offered and sold separately. Refer to the "What the New Terms Mean" section on page 11.*

### *Applying the Non-Discrimination Rules*

The *Non-Discrimination Rules* specifically apply to the newly-created Unicom electric supplier, Unicom Energy, which is in competition with other electric suppliers. The company believed that allowing Unicom Energy to jointly market with the other Unicom affiliates offered a greater opportunity for success in the competitive arena. For this reason, Unicom decided to apply the new rules to all Unicom affiliates. These affiliates include: Unicom Energy, Inc., UT Holdings (Unicom Thermal) and Unicom Energy Services, composed of — Unicom Gas Services, Unicom Distributed Generation, Unicom Active Energy Management, and Unicom Energy Solutions Group.



**The *Non-Discrimination Rules* define the separation between Unicom affiliates and ComEd.**

### What the New Rules Mean to You

The greatest impact of the *Non-Discrimination Rules* falls on the ComEd and Unicom affiliate departments that have direct customer contact. The rules mean:

- There will be no joint advertising or marketing between ComEd and the Unicom affiliates — no joint sales calls, no sharing of leads, no sharing of salespeople.

*As an example, our ComEd Energy Services (ESO) salespeople will not be able to sell gas or other products and services offered by Unicom affiliates — and vice versa.*

- No customer information, unless authorized by the customer, and no T&D System information that is not available to other electric suppliers can be shared with Unicom affiliates.

*For example, we cannot share outage information or information on system improvements with only our affiliates. This information must be shared with other suppliers.*

- Unicom affiliates will be housed in separate facilities or in areas with restricted access.
- Those services that are shared cannot act as a conduit in providing ComEd customer or T&D system information to Unicom affiliates. Shared services are detailed in the *Corporate Support* section on the following page.



### **Independent Functioning**

ComEd and Unicom affiliates shall function independently of each other and shall not share services or facilities. This means that Unicom will have facilities that are separate from ComEd, either in different buildings or in areas with restricted access.

Except for corporate and emergency support, ComEd and Unicom affiliates shall not jointly employ or share the same employees. No ComEd employees engaged in providing delivery or retail marketing services will be shared or jointly employed with Unicom affiliates. Transfers of employees from ComEd to Unicom affiliates are permitted so long as a log of the transfers is kept and made available on ICC request.



### **Corporate Support**

The rules provide an exception to the independent functioning requirement — corporate support services. Corporate support services are those functions that may be shared between ComEd and Unicom affiliates because the sharing of these services will not provide the Unicom ARES, Unicom Energy, with an unfair competitive advantage.

Corporate support services specifically listed in the *Rules* are: *travel administration, security, printing, graphics, custodial services, secretarial support, mail services, records management, accounting, treasury, internal audit, tax, financial reporting and planning, data processing, shareholder services, human resources, employee benefits, regulatory affairs, legal services, lobbying, non-marketing research and development activities and strategic planning*. Other areas, now and in the future, may be considered corporate support services. People from these areas can have access to both ComEd and Unicom affiliate facilities.



### **Non-Discriminatory Practices**

Simply stated, non-discriminatory practices require ComEd to treat all electric suppliers equally:

- ComEd cannot offer a discount, rebate or waiver of tariff terms to Unicom Energy or its customers unless ComEd also makes the same offer to all electric suppliers and their customers.
- ComEd will not grant preference to Unicom Energy on the availability of electricity transmission system capacity, and the scheduling or distribution of electricity.
- ComEd will process requests for services from Unicom Energy in the same manner and time period as similar requests from other electric suppliers.
- ComEd will adopt and implement procedures for restoring T&D customer outages on a nondiscriminatory basis whether the customer's energy provider is ComEd, Unicom Energy or another electric supplier.
- ComEd and Unicom Energy cannot communicate/advertise that ComEd provides any advantages to its affiliates concerning the scheduling, transmission, or distribution of electricity.



## **Information Sharing**

The Non-Discrimination Rule is specific as to the information that may be made available, to whom and in what form. ComEd shall not provide any preference to Unicom affiliates in giving the following kinds of information:

### ***Customer-Specific Information***

Customers control access to their customer-specific information and control transfer of it. ComEd cannot share customer-specific information without the customer's consent and must share it with the customer or the customer's agent (possibly a competitor) at the customer's request. ComEd may request a reasonable fee for sharing customer-specific information.

### ***Generic Customer Information***

ComEd will not share generic customer information with its Unicom affiliates that it does not share with competitors that have submitted a written, standing request for such information. Generic customer information is data concerning the usage, load shape curve or other general characteristics of customers by rate classification. Any reasonable fees imposed by ComEd for the information will be uniformly applied to all electric suppliers.

### ***T&D Information***

If ComEd provides T&D system information to the Unicom affiliates, it must also make that information available to all competitors with a standing request for such information.

## ***Information Received From Competitive Suppliers***

ComEd is required to treat all information obtained from competitive suppliers as confidential.

### ***Corporate Support Information***

Information considered corporate support can be shared between ComEd and the Unicom affiliates without being shared with competing suppliers.

### ***Additional Rules***

#### ***Cross Subsidization***

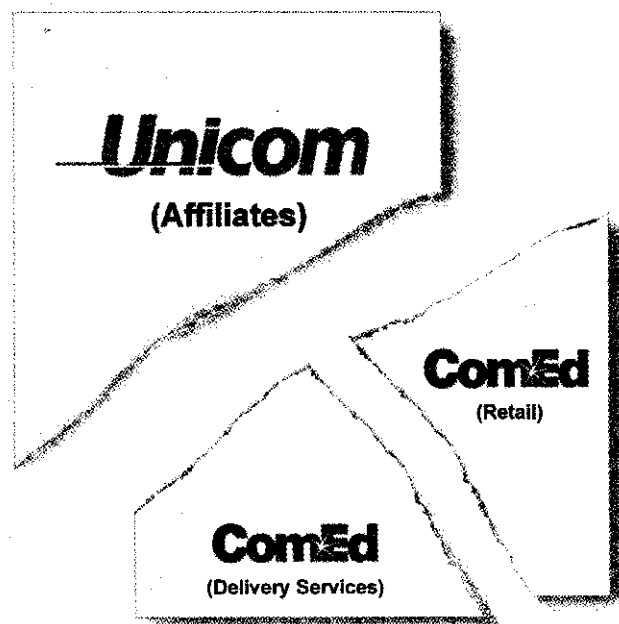
ComEd will not be allowed to subsidize Unicom through the transfer of goods and services.

#### ***Administrative Rules***

A number of administrative practices are outlined in the Non-Discrimination Rules. They include provisions for bookkeeping, log keeping, lists of certified ARES and so on.

## Standards of Conduct: *The Next Set of Rules*

These *Non-Discrimination Rules* govern the relationship between ComEd and the Unicom affiliates. Still to come is another set of rules, the *Standards of Conduct*, which will regulate interaction within the company. Set for proposal in May 1999, these new rules will focus on a separation between ComEd Delivery Services (T&D) and ComEd Retail (primarily Customer Operations). These rules will further define interaction and communication between these two entities that were formerly part of the Commercial Division.



The *Standards of Conduct* will further define the separation between ComEd Retail (Customer Operations) and ComEd Delivery Services (T&D).

## Important Dates

<i>December 16, 1997</i>	Illinois General Assembly passes the Illinois Electric Service Customer Choice and Rate Relief Law (Restructuring Act) designed to open competition in Illinois.
<i>August 1, 1998</i>	15% rate decrease for residential customers.
<i>November 5, 1998</i>	<i>Non-Discrimination Rules</i> go into effect, prohibiting joint marketing, advertising and certain types of communication between ComEd and Unicom Affiliates.
<i>January 4, 1999</i>	Unicom Energy is formed as unregulated electric supplier that will compete with other Alternative Retail Electric Suppliers (ARES). It will seek certification from the ICC as an ARES and will sell power only at retail.
<i>May 15, 1999</i>	<i>Standards of Conduct</i> to be proposed to determine interaction and communication between ComEd Retail and the ComEd T&D organization.
<i>October 1, 1999</i>	Choice begins for large customers (over 4MW) and selected medium and small non-residential customers.
<i>December 31, 2000</i>	Choice for remaining non-residential customers.
<i>May 1, 2002</i>	Choice for all residential customers. A 5% residential rate decrease in addition to the 15% decrease issued in August of 1998.



## What the New Terms Mean

### *Alternative Retail Electric Supplier (ARES)*

Any person or company, other than an Illinois electric utility, selling electricity to customers in Illinois. All ARES must be certified by the ICC.

### *Bundled Service*

Full electric service offered at a single price (such as that currently offered by electric utilities on a tariffed basis). Bundled Service includes electric generation, transmission and distribution services.

### *Customer Power Purchase Option*

A service governed by a tariff which allows customers to buy electric power and energy from the host utility (ComEd) at the market value of power and energy.

### *Delivery Services*

The services that will be provided by the utility that allow customers to select the energy provider of choice. Delivery Services include standard metering and billing services, as well as the transportation of the electric energy and power that the customer has purchased.

### *Electric Utility*

The entity that has a franchise to sell electricity to customers in a certain area. ComEd is an electric utility.

### *Open or Direct Access*

A key component of the Restructuring process that allows customers to obtain access to a utility's delivery services separate from the purchase of electric power and energy. Open Access laws and rules are the first major step to a competitive market.

### *Unbundling*

Unbundling is a part of the process of restructuring that attempts to identify components of electric service that may be offered and sold separately. Like many products, electric service is really a combination of services and products. Currently, when you buy electric service, you also purchase electric meter services, billing services, transmission, generation and distribution services, as well as others.

### *Unicom Affiliates*

Companies, other than ComEd, that are subsidiaries of ComEd's parent Unicom. They include Unicom Energy, Inc., UT Holdings (Unicom Thermal), Unicom Energy Services and its components; Unicom Gas Services, Unicom Distributed Generation, Unicom Active Energy Management, and Unicom Energy Solutions Group.

### *Unicom Energy*

The Unicom affiliate that will act as an Alternative Retail Electric Supplier (ARES) by selling electric energy at market prices.

### *Wholesale Electric Power*

Normally refers to electric power and energy that is sold by and to an electric utility or ARES for resale to electric customers.

## **Non-Discrimination Rules: Questions and Answers**

**Q: Why does the ICC prohibit joint marketing?**

*A: Under current circumstances, the ICC felt that joint marketing (including sales) between a utility and its affiliated electric supplier — in our case ComEd and Unicom Energy — might provide an unfair competitive advantage to the new affiliated retail electric supplier.*

**Q: Are other departments affected by the Non-Discrimination Rules if they do not have direct customer contact or are not among the designated corporate support services?**

*A: Yes. All departments are affected, even if indirectly, because the rules fundamentally define the separation between Unicom affiliates and ComEd. Long-standing regulatory relationships will be altered to accommodate competition — changing the structure of ComEd as we used to know it.*

**Q: Can ComEd and Unicom people still talk to each other.**

*A: Yes. ComEd and Unicom people will still be able to talk to one another. They just can't discuss the T&D system or pass on ComEd customer information without customer permission. As Bob Manning, executive vice president and president — Competitive Operations, said in a recent issue of Unicom Today, "...we'll just have to tailor our business discussions, always keeping in mind what's appropriate. This can be true in any business....If you work in marketing for Burger King, you probably won't discuss your latest project with your best friend who happens to work in marketing for McDonald's."*

**Q: As a ComEd employee, can I take advantage of Unicom employment opportunities?**

*A: Yes. Transfers from ComEd to Unicom, and vice versa, are permitted as long as a log of the transfers is kept and made available on ICC request.*

**Q: Will ComEd key cards work at Unicom facilities — and vice versa?**

*A: No.*

**Q: If there are limitations on information that can be shared between ComEd and the Unicom affiliates, what impact will that have on information systems like Outlook, CIMS and UPMS?**

*A: The rules still allow us to share a common database system. The issue is access to certain information within the system.*

**Q: How do the Non-Discrimination Rules "square" with recent efforts to reduce ComEd operating costs by selling excess real estate holdings?**

*A: They don't. However, to comply with the rules, the company must incur costs.*

**Q: Won't it cost the company a lot more money to operate redundant departments and facilities?**

*A: Yes. The company must duplicate facilities and systems in order to comply with the Non-Discrimination Rules and compete in the Illinois marketplace. Complying includes costs to: duplicate sales, marketing, advertising and R&D groups; develop new database systems and/or "firewall" protections in existing database systems; and to physically office Unicom affiliates in separate buildings or to construct/maintain secured access within shared buildings.*

**Q: How can anyone expect this to work — especially in the corporate support services areas? Isn't it human nature to draw on every available source of knowledge and experience in developing new ideas, etc.?**

*A: Many professions, like lawyers and consultants, require practitioners to "compartmentalize" data — exercising ethical behavior in all aspects of their work in order to avoid conflicts of interest and/or transmittal of confidential information.*

**Q:** Do these new rules mean we can't restore ComEd customers first when there's an outage?

*A: That's exactly what they mean. We cannot discriminate between customers who get their electricity from ComEd, Unicom Energy or other suppliers. Remember these are all our customers because no matter where the power comes from, it still comes through ComEd wires. The rules say we cannot give preferential treatment to customers who buy power from ComEd or Unicom Energy rather than from a competitor when it comes to access to the T&D system.*

**Q:** Who do I contact if I have more questions?

*A: For more questions contact the Law Department @ G.O. extension 5400. A listing of questions and answers is also available on ComEd Online.*